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# Message Text

CONFIDENTIAL

PAGE 01 PANAMA 06402 181826Z

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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P 181755Z OCT 75
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC PRIORITY 5494

C O N F I D E N T I A L PANAMA 6402

EXDIS

FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR

E.O. 11652: GDS
TAGS: PFOR, PN
SUBJECT: INCREASED WATER RATES

REFS: (A) STATE 239424 (B) PANAMA 6051

1. I DELAYED RESPONDING TO REF A. BECAUSE OF ANNIVERSARY HOOPLA PLUS FACT THAT I HAD PLANS FOR SESSIONS THIS WEEK WITH HIGH AUTHORITIES AND GOVERNMENTAL ADVISERS. ON THE BASIS OF THESE SOUNDINGS I CAN ONLY CONCLUDE THAT UNILATERAL RAISING OF WATER RATES IS A LOSER AT PRESENT TIME. WHATEVER THE REASONS, PANAMA'S TOP LEADERSHIP--FROM TORRIJOS DOWN--REACTS TO THIS MATTER IRRATIONALLY. TORRIJOS HAS COMPLAINED PERSONALLY TO ME ABOUT THE U.S. AMBASSADOR BEING PLACED IN THE ROLE OF QUOTE BILL COLLECTOR UNQUOTE. FURTHER, IN TALKS WITH MEN LIKE GABRIEL LEWIS AND JAIME ARIAS, PANAMANIANS MAKE STRONG POINT OF UNDERLINING FACT THAT CURRENT QUOTE NAME OF THE GAME UNQUOTE IS UNILATERAL GESTURES THAT WILL STRENGTHEN RELATIONSHIPS AND BETTER ENABLE LOCAL GOVERNMENT TO QUOTE MANAGE UNQUOTE DELAY IN NEGOTIATIONS. THEY LOOK ON POSSIBLE INCREASE OF WATER CHARGES AS CONTRADICTION OF OUR PROMISED APPROACH.

2. REASONABLE PANAMANIANS UNDERSTAND THAT COSTS OF WATER PROCESSING HAVE GONE UP--LIKE EVERYTHING ELSE--AND THAT ON COLD ECONOMIC GROUNDS SOME INCREASE IS PROBABLY JUSTIFIED. BUT THEY SEE RISE IN COST OF THIS ESSENTIAL COMMODITY AT THIS TIME AS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PANAMA 06402 181826Z

BEING POLITICALLY EXPLOSIVE. THEY ALSO POINT OUT THAT WATER

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

WE GET IN ZONE COMES ORIGINALLY FROM PANAMA. THEY HAVE RAISED POSSIBILITY THAT, IF WE RAISE RATES OF PROCESSED WATER TO THEM, THEY MAY BEGIN CHARGING US FOR WATER THAT FLOWS INTO ZONE FROM PANAMANIAN RIVERS.

3. COLD CENTRAL FACT IS THAT IF WE RAISE WATER RATES NOW PANAMA WILL REFUSE TO PAY ADDED COST. SO HOWEVER JUSTIFIABLE INCREASE MAY BE ON ACCOUNTING BASIS, ACTIONIS NOT GOING TO PRODUCE INCREASED REVENUE FOR PANCANAL COMPANY. AND THE ACTION WILL BE CONSIDERED OFFENSIVE BY PANAMANIAN AUTHORITIES.

4. I AM PERSUADED THAT WE CAN MOVE PANAMA INTO ATTITUDE OF WILLINGNESS TO ACCEPT SOME RATE RISE OVER TIME. IT WILL BE FEASIBLE PARTICULARLY IF IN MEANTIME
WE HAVE BEEN ABLE TO MAKE SOME UNILATERAL GESTURES THAT ARE ON PANAMA'S LIST OF DESIDERATA. I WILL BE REPORTING ON THIS MATTER IN SEPTEL.

5. I BELIEVE THAT DEPUTY NEGOTIATOR BELL'S EXPOSURE TO WATER PROBLEM DURING HIS RECENT VISIT HERE SUSTAINS ABOVE CONCLUSIONS. SUGGEST HE BE CONSULTED.
JORDEN

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Margaret P. Grafeld
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US Department of State
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